



2004

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## Description of Business

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the world's hospitality, foodservice, institutional and industrial markets. Founded in 1923 and headquartered in St. Paul, Minn., Ecolab reaches customers in more than 160 countries across North America, Europe, Asia Pacific, Latin America, the Middle East and Africa, and employs more than 21,000 associates worldwide. Customers include hotels and restaurants; healthcare and educational facilities; quickservice (fast-food and convenience stores) units; grocery stores; commercial and institutional laundries; light industry; dairy plants and farms; food and beverage processors; pharmaceutical and cosmetic facilities; and the vehicle wash industry. Products and services are marketed by the industry's largest and best-trained direct sales-and-service force, numbering more than 12,000 associates who advise and assist customers in meeting a full range of cleaning, sanitation and service needs.

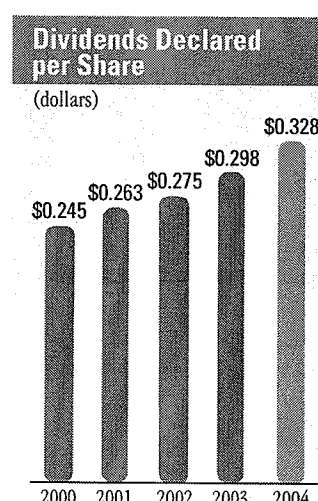
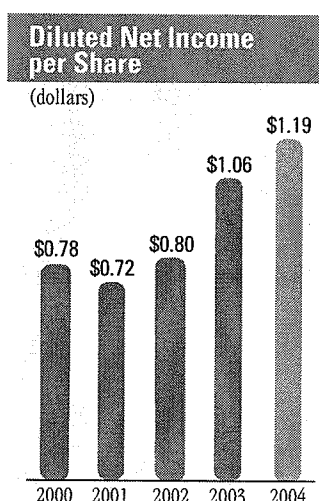
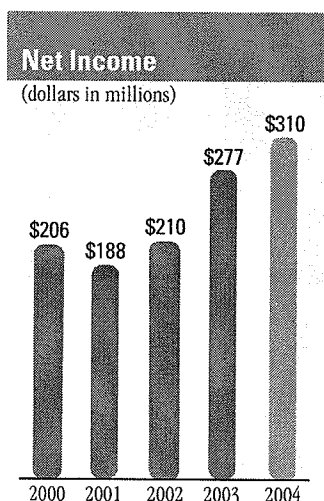
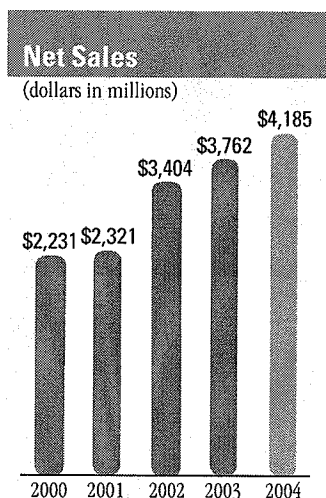
Ecolab common stock is traded on the New York Stock Exchange and Pacific Exchange under the symbol ECL. Ecolab news releases and other selected investor information are available on the Internet at [www.ecolab.com](http://www.ecolab.com).

## Forward-Looking Statements and Risk Factors

We refer readers to the company's disclosure, entitled "Forward-Looking Statements and Risk Factors," which is located on page 30 of this Annual Report.

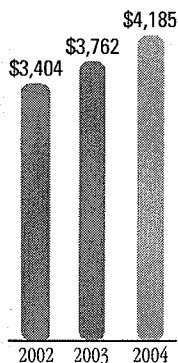
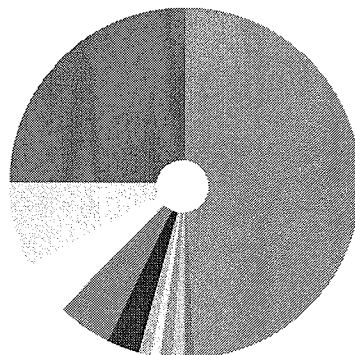
## Financial Highlights

(thousands, except per share)	2004	2003	2002	Percent Change	
				2004	2003
Net Sales	\$4,184,933	\$3,761,819	\$3,403,585	11%	11%
Net Income	310,488	277,348	209,770	12	32
Percent of Sales	7.4%	7.4%	6.2%		
Diluted Net Income Per Common Share	1.19	1.06	0.80	12	33
Diluted Weighted-Average Common Shares Outstanding	261,776	262,737	261,574	-	-
Cash Dividends Declared Per Common Share	0.3275	0.2975	0.2750	10	8
Cash Provided by Operating Activities	582,464	529,199	423,326	10	25
Capital Expenditures	275,871	212,035	212,757	30	-
Shareholders' Equity	1,562,519	1,295,426	1,099,751	21	18
Return on Beginning Equity	24.0%	25.2%	23.8%		
Total Debt	701,577	674,644	699,842	4	(4)
Total Debt to Capitalization	31.0%	34.2%	38.9%		
Total Assets	\$3,716,174	\$3,228,918	\$2,865,907	15%	13%



**Net Sales**

(dollars in millions)

**Ecolab Business Mix 2004****United States 51%**

- Institutional 25%
- Food & Beverage 8%
- Pest Elimination 5%
- Kay 5%
- GCS Service 3%
- Professional Products 1%
- Healthcare 1%
- Vehicle Care 1%
- Textile Care 1%
- Water Care Services 1%

**International 49%**

- Europe/Africa/ME 35%
- Asia Pacific 7%
- Canada 3%
- Latin America 3%
- Other 1%

**Customers/Markets Served****Customers**

Full-service restaurants  
 Quickservice restaurants  
 Hotels  
 Food retail  
 Schools  
 Colleges and universities  
 Laundries  
 Hospitals  
 Nursing homes

Healthcare facilities  
 Dairy farms and plants  
 Food, beverage and brewery plants  
 Pharmaceutical and cosmetic facilities  
 Office buildings  
 Shopping malls  
 Recreational facilities  
 Building service contractors  
 Cruise lines  
 Foodservice operators

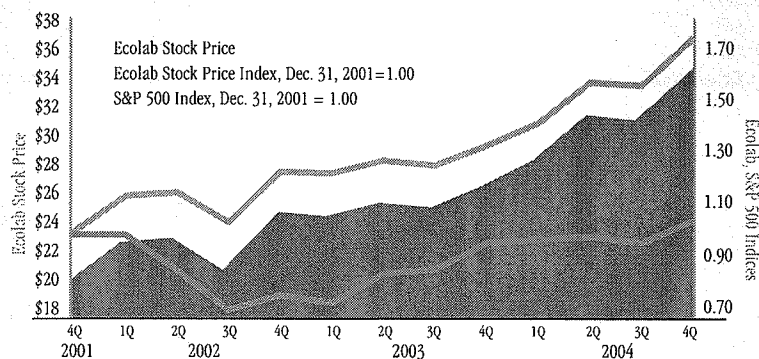
Light manufacturing industries  
 Fleet and vehicle wash

**Markets**

United States  
 Europe/Africa/ME  
 Asia Pacific  
 Canada  
 Latin America

**Ecolab****Stock Performance**

	2002		2003		2004	
	Low	High	Low	High	Low	High
Quarter						
First	\$19.43	\$23.94	\$23.08	\$26.00	\$26.12	\$28.61
Second	21.25	24.00	24.21	27.92	27.95	31.77
Third	18.27	24.51	23.78	26.80	29.04	31.80
Fourth	20.71	25.20	25.15	27.89	31.32	35.59

**Ecolab Stock Performance Comparison****Sales-and-Service****Associates**

(December 31)	2002	2003	2004
Institutional*	3,125	3,190	3,055
Kay	245	275	325
Pest Elimination	1,555	1,645	1,725
Professional Products**	175	180	95
Healthcare**	-	-	70
GCS Service	530	535	470
Textile Care	85	80	75
Food & Beverage	395	405	450
Water Care Services	100	95	95
Vehicle Care	100	100	100
Europe/Africa/ME	3,370	3,285	3,915
Asia Pacific	925	1,015	960
Canada	320	340	355
Latin America	485	540	590
Total	11,410	11,685	12,280

\*2004 decrease of 250 associates due to the sale of a grease management product line.

\*\*2004 reflects the separation of Healthcare from Professional Products.

# Consolidated Balance Sheet

December 31 (thousands, except per share)	2004	2003	2002
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 71,231	\$ 85,626	\$ 49,205
Accounts receivable, net	738,266	626,002	553,154
Inventories	338,603	309,959	291,506
Deferred income taxes	76,038	75,820	71,147
Other current assets	54,928	52,933	50,925
Total current assets	1,279,066	1,150,340	1,015,937
Property, plant and equipment, net	834,730	736,797	680,265
Goodwill	991,811	797,211	695,700
Other intangible assets, net	229,095	203,859	188,670
Other assets, net	381,472	340,711	285,335
Total assets	\$3,716,174	\$3,228,918	\$2,865,907
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Short-term debt	\$ 56,132	\$ 70,203	\$ 160,099
Accounts payable	269,561	212,287	205,665
Compensation and benefits	231,856	190,386	184,239
Income taxes	22,709	59,829	12,632
Other current liabilities	359,289	319,237	291,193
Total current liabilities	939,547	851,942	853,828
Long-term debt	645,445	604,441	539,743
Postretirement health care and pension benefits	270,930	249,906	207,596
Other liabilities	297,733	227,203	164,989
Shareholders' equity (common stock, par value \$1.00 per share; shares outstanding: 2004 – 257,542; 2003 – 257,417 and 2002 – 129,940)	1,562,519	1,295,426	1,099,751
Total liabilities and shareholders' equity	\$3,716,174	\$3,228,918	\$2,865,907

The accompanying notes are an integral part of the consolidated financial statements.



# Contract with Ecolab

NEW YORK – Masterpiece Suites International Ltd. today announced that it has entered a five-year global supplier agreement with Ecolab Inc., a Minnesota-based manufacturer and marketer of commercial cleaning and sanitizing products and services.

The agreement will provide the burgeoning hotel chain with a broad array of systems for dishwashing, pool and spa maintenance, laundry, and water treatment, as well as other services.

Masterpiece Suites International, which manages luxury properties in more than 100 countries, has recently expanded its footprint in the Middle East with several new hotels.

"We are very excited to be partnering with a one-of-a-kind company like Ecolab," said Linda Alvorado, Masterpiece Suites' vice president of international operations. "Only Ecolab offers such a complete range of solutions that can provide consistently excellent service and support on a worldwide basis. Unlike other suppliers, Ecolab delivers far more than differentiated products and services – the ability to deliver confidence."

Alvorado cited Ecolab's global service network, innovation, ability to tailor solutions to specific needs, and focus on customer satisfaction as aspects of a value proposition that other suppliers simply can't match.

"With Ecolab," she added, "the difference is in the details."

# details

E C O L A B 2 0 0 3 A N N U A L R E P O R T

# matter